

# The Gazette of India



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## PART III

### Advertisement and Notices by Private Individuals and Corporations

#### INDUSTRIAL FINANCE CORPORATION OF INDIA

First Annual Report of the Board of Directors of the Industrial Finance Corporation of India for the year ended 30th June 1949, under Section 35 of the Industrial Finance Corporation Act, 1948.

##### ANNUAL ACCOUNTS

The Board of Directors present herewith the Accounts for the year ended 30th June 1949, together with their report on the working of the Corporation during the year.

	Rs. A. P.
After payment of expenses of administration and making provision for taxation and sundry liabilities, the net profit amounts to .. .. ..	85,507 13 8
It is proposed to transfer a sum of Rs. 50,000/- to the Reserve Fund to be established in terms of Section 32(1) of the I.F.C. Act .. .. ..	50,000 0 0
Leaving a balance of .. .. ..	35,507 13 8

The Central Government in pursuance of Section 5 of the above Act have guaranteed a dividend of 2½ per cent. per annum on the Share Capital. It is proposed to utilise the above amount of Rs. 35,507/13/8 towards the payment of the dividend and to call upon Government for the balance of Rs. 10,89,492/2/4 to make up the guaranteed dividend.

As it appears that the general public are not fully acquainted with the constitution and functions of the Corporation and its organisation, it is desirable that brief particulars should be given of its constitution and the business it is authorised to transact.

The Industrial Finance Corporation of India was established by the Industrial Finance Corporation Act, 1948 (XV of 1948) for the purpose of making medium and long-term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue channels is impracticable. The Act received the assent of the Governor-General on the 27th March 1948, and came into force on the 1st July 1948.

*Share capital and shareholders*—Under Section 4 of the above Act, the authorised share capital of the Corporation is Rs. 10 crores divided into twenty thousand fully paid up shares of five thousand rupees each. Of this, ten thousand shares of the total value of five crores of rupees have been issued in the first instance as provided for by sub-section (1) of the above section. In accordance with sub-section (2), the Central Government and the Reserve Bank subscribed for two thousand shares each, i.e., Rs. 1 crore each of the share capital. The balance of Rs. 3 crores

was offered to scheduled banks, insurance companies, investment trusts and other like financial institutions, and co-operative banks in the following proportions :—

	of the value of
Scheduled banks : .. .. ..	2,500 shares Rs. 1½ crores.
Insurance companies, investment trusts and other like financial institutions : .. .. ..	2,500 shares Rs. 1½ crores.
Co-operative banks : .. .. ..	1,000 shares Rs. ½ crore.

*Guarantee by Central Government*.—In terms of Section 5 of the above Act, the shares of the Corporation are guaranteed by the Central Government as to the repayment of principal and the payment of the annual dividend at such minimum rate as may be fixed by the Central Government. The Central Government have fixed the rate of dividend guaranteed by them at 2½ per cent. per annum.

*Issue of shares*.—The offer of shares to scheduled banks, insurance companies, investment trusts and other like financial institutions and co-operative banks was made from the 9th to the 11th August 1948.

Subscriptions from scheduled banks exceeded the amount offered, the applications aggregating 3085 shares against the quota of 2500 shares reserved for them. The amount reserved for insurance companies was fully subscribed. Co-operative banks, however, failed to take up the shares in full, and, in accordance with Section 4(5) of the Act, the Central Government and the Reserve Bank took up the balance of the shares, i.e., 79, which remained unallotted.

The subscribed capital of the Corporation on the 30th June 1949 was Rs. 5 Crores.

*Board of Directors*.—Under Section 10 of the Industrial Finance Corporation Act, 1948, the Board consists of twelve Directors and is composed of as follows :—

- (a) Three Directors nominated by the Central Government.
- (b) Two Directors nominated by the Central Board of the Reserve Bank of India.
- (c) Two Directors elected by the scheduled banks.
- (d) Two Directors elected by the insurance companies, investment trusts and other like financial institutions.
- (e) Two Directors elected by the co-operative banks.
- (f) One Managing Director appointed by the Central Government, after consideration of the recommendation—
  - (i) in the case of the first appointment, of the Central Board of the Reserve Bank ;
  - (ii) in the case of subsequent appointments, of the Board.

The Board of Directors of the Corporation was constituted as from the 1st July 1948. In terms of the first

proviso to Section 10 of the above Act, in the Board as first constituted, the Directors referred to in categories (c), (d) and (e) above were nominated by the Central Government to represent the various classes of shareholders.

The Board as first constituted, consisted of the following Directors :—

*Nominated by the Central Board of the Reserve Bank of India.*

Sir Shri Ram.

Professor D. R. Gadgil.

*Nominated by the Central Government.*

Mr. K. G. Ambegaokar, I.C.S.

Sir J. C. Ghosh.

Mr. Khandubhai K. Desai, M.C.A.

*Nominated to represent scheduled banks.*

Sir Birendra Nath Mookerjee.

Mr. J. C. Das.

*Nominated to represent insurance companies, investment trusts and other like financial institutions.*

Pandit K. Santanam.

Mr. Maneklal Premchand.

*Nominated to represent cooperative banks.*

Mr. R. G. Saraiya.

Mr. T. A. Ramalingam Chettiar, B.A., B.L., M.C.A.

*Managing Director.*

Mr. Ram Nath.

All the above Directors other than the Managing Director will retire at the end of the first year. The Central Government and the Reserve Bank have renominated the Directors at present representing them on the Board of the Corporation, and elections will be held at the first Annual General Meeting to be held on the 18th August 1949, to elect two Directors each to represent the other three classes of shareholders.

*Executive Committee.*—In terms of Section 16 of the Act, an Executive Committee of the Board has been constituted consisting of the Managing Director (who is the Chairman of the Committee), two Directors elected by the nominated Directors and two Directors elected by the elected Directors.

*Business which the Corporation may transact.*—The Corporation is authorised, in terms of Section 23 of the Act, to carry on and transact the following kinds of business, namely—

- (a) guaranteeing loans raised by industrial concerns which are repayable within a period not exceeding twenty-five years and are floated in the public market;
- (b) underwriting the issue of stock shares, bonds or debentures by industrial concerns;
- (c) granting loans or advances to or subscribing to debentures of industrial concerns, repayable within a period not exceeding twenty-five years.

The Corporation is required to dispose of any shares, bonds or debentures it may have to take up in fulfilment of its under-writing commitments as early as possible and in any case within seven years.

The above section also provides that no accommodation shall be given of the type referred to in (a) and (c) above, unless it is secured by a sufficient pledge, mortgage, hypothecation or assignment of Government or other securities, stocks, shares or secured debentures, bullion, movable or immovable property or other tangible assets. This means that the Corporation is authorised to grant advances or to guarantee advances only against the security of tangible assets.

*Limit of accommodation.*—The Corporation cannot enter into any arrangement with a single industrial concern for

an amount equivalent in the aggregate to more than ten per cent. of the paid-up share capital of the Corporation, but in no case exceeding fifty lakhs of rupees.

*Prohibited business.*—The Corporation is prohibited from

- (a) accepting deposits except as provided by the Act;
- and
- (b) subscribing directly to the shares of public limited companies.

*Provision relating to income-tax and super-tax.*—In terms of Section 40 of the Industrial Finance Corporation Act, the Corporation is to be treated as a Company for the purposes of the Indian Income-tax Act, 1922, and is liable to income-tax and super-tax on its income, profits and gains.

*Offices of the Corporation.*—Under Section 18 of the Act, the Head Office of the Corporation is situated at Delhi and the Corporation is required to open offices at Bombay, Calcutta, Madras and Kanpur. Offices have been opened at Bombay and Calcutta and premises have been secured for the office at Madras, which will be opened shortly. After the opening of the office in Madras, arrangements will be made for opening an office in Kanpur.

*Auditors.*—Under Section 34 of the Act, the Auditors of the Corporation are appointed by the Central Government. The Central Government have appointed Messrs. S. B. Billimoria & Company, Bombay, and Messrs. S. Vaidyanath Aiyer & Company, Delhi, Auditors of the Corporation for the year ended 30th June 1949.

*Meetings of the Board and of the Executive Committee.*—Five meetings of the Board of Directors were held during the year ended 30th June 1949.

Thirteen meetings of the Executive Committee were held during the year.

*Eligibility for Assistance from the Corporation.*—The Corporation is authorised to extend accommodation only to Public Limited Companies or Cooperative Societies incorporated by an Act of the Legislature or under any law for the time being in force and registered in India and engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power.

The Industrial Finance Corporation Act, 1948, extends to all the Provinces of India, and also to every Acceding State to the extent to which the Dominion Legislature has power to make laws for that State with respect to the matters dealt with in the Act. The question with regard to the applicability of the Act to Indian States which have been integrated with Provinces or merged into Unions, was not clear, but the matter is engaging the attention of the Central Government and the position is likely to be clarified shortly.

*General background.*—The Corporation came into existence during the period of transition following the cessation of hostilities. During war-time, under the stimulus of the expenditure of the Allied Governments including that of the Government of India and of H. M. G. and on account of the necessity for making supplies available to those Governments for the prosecution of hostilities, there was a considerable expansion of Indian industry. The curtailment of imports from abroad for considerations of foreign exchange or shipping difficulties was a further factor leading to the growth of Indian industry, the impetus to such growth being particularly marked after the outbreak of hostilities with Japan. On account of the inflation created by the methods adopted for financing the war expenditure of the Allied Governments, there was in India a continuous increase in the price-level and the products of Indian industry were readily saleable either to the purchasing Departments of Government or to meet civilian requirements. The country was also able to establish and expand taking advantage of war-time conditions, markets in foreign countries, notably in the countries of the Middle East and Australia for some of its products, e.g. cotton textiles. In these circumstances, it is perhaps not surprising that no great emphasis was placed on quality as a ready market

was available for the products of Indian industry, there being likewise no great urge for attaining technical efficiency or for reducing expenses consistently with the maintenance of a reasonable standard in regard to quality. On account of the increase in the cost of living, substantial additions had to be made in the form of dearness allowances to the wages paid to labour, thereby increasing labour charges. With the cessation of war-time expenditure, the picture has substantially changed and industrial concerns which were able to attain prosperity during war-time are now unable to compete either with the older established producers at home or manufacturers in foreign countries. Moreover, during war time, in many cases inadequate attention was paid to the desirability of building up reserves, with the result that Indian industry is not as well equipped as it might have been to face the transition from a war time to a peace time economy. To the extent that the cost price structure has an element of rigidity and the costs of production are high relatively to most other countries, the problem in India bears a resemblance to that in the U.K. which is suffering from similar difficulties. The inadequacy of the reserves built up during war time creates, however, a special problem inasmuch as industry does not possess adequate resources for renewal and replacement of machinery and equipment, apart from the prevailing apathy of the capital issues market. The country is also lacking in certain basic industries, as for example, the machine tool industry and the essential chemical industries which are necessary for the purpose of supporting an industrial economy.

Government are, however, committed to protect the industries which came into existence during the war and which cater for the essential requirements of the community, and the Tariff Board has been examining the claims for protection of such industries. On the recommendation of the Board, Government have been granting varying measures of protection to Indian industries.

*Review of operations.*— During the first few months after the setting up of the Corporation, it was engaged in making arrangements for the issue of share capital and in preliminary work such as the framing of the General Regulations of the Corporation in consultation with the Reserve Bank of India, the Regulations governing the terms of service of the staff, etc. The Corporation also prepared a standard form of application, to which is appended a questionnaire intended for the purpose of eliciting information with regard to the working of the industrial concern and the scheme for which assistance is sought from the Corporation. During this period, the instruments evidencing the security to be taken by the Corporation for the advances granted by it were also prepared. These are standard documents which require to be adapted to meet the circumstances of each case.

On account of lack of knowledge on the part of the public with regard to the types of industrial concerns eligible for assistance from the Corporation, the Corporation received during the year a large number of enquiries from concerns not qualified under the Act to apply for accommodation from it, e.g., from private partnership concerns or from private limited companies, which had to be rejected. The total number of enquiries received from eligible concerns was 156, and these were supplied with the standard form of application of the Corporation. Formal and concrete proposals for accommodation were received from 95 concerns, the amount of assistance applied for aggregating Rs. 10,33,18,000. Twenty-one applications aggregating Rs. 3,42,25,000 were sanctioned (The actual amount applied for by these companies was Rs. 3,56,25,000). Thirty-three applications aggregating Rs. 1,88,55,000 were rejected. Forty-one applications aggregating Rs. 4,88,38,000 were still under review at the end of the year.

The applications sanctioned related to a variety of industries, the types of industries and the amount of accommodation sanctioned for each industry being mentioned below:—

Type of Industry.	Amount sanctioned.	Rs.
Textile Machinery .. ..	43,00,000	
Mechanical Engineering (Oil Engines) .. ..	10,00,000	
Chemicals .. ..	56,50,000	
Ceramics & Glass .. ..	60,00,000	
Cement .. ..	40,00,000	
Electrical Engineering .. ..	26,00,000	
Oil Mills .. ..	1,75,000	
Electric Power .. ..	3,00,000	
Metallurgical Industry (Nonferrous Metals) .. ..	30,00,000	
Iron & Steel (Foundries) .. ..	15,50,000	
Cotton Textiles .. ..	40,00,000	
Woollen Textile .. ..	5,00,000	
Unclassified .. ..	11,50,000	
<b>Total</b> .. ..	<b>3,42,25,000</b>	

An analysis of the industrial concerns which have been sanctioned accommodation showing their location province-wise is given in Statement "A".

*Relation of the paid-up capital to the amount asked for.*—In the case of the 21 applications sanctioned, the paid-up capital was Rs. 4,76,32,000 while the amount of the loan applied for was Rs. 3,56,25,000, i.e., the amount applied for was less than the paid-up capital.

In the case of the applications under investigation, the paid-up capital was Rs. 5,29,65,000 and the amount applied for was Rs. 4,88,38,000.

In the case of the applications rejected, the proportion was otherwise. The total amount of paid-up capital in this case was Rs. 1,08,49,000 and the amount applied for was Rs. 1,88,55,000. In many cases, the paid-up capital largely represented shares issued in payment of properties and assets transferred by the promoters to the Company at inflated values.

*Amount Disbursed.*— It will be seen that the total amount of accommodation sanctioned was Rs. 3,42,25,000. As at the 30th June, 1949, the total amount made available to the borrowing concerns was Rs. 1,32,99,215. The discrepancy is to a large extent due to the fact that industrial concerns generally do not desire the entire amount in one lump sum. They prefer to obtain their requirements in instalments to coincide with the maturity of the commitments for which assistance is sought from the Corporation. For example, where machinery has been ordered, payment is required only when the actual shipments arrive, or where land has to be purchased, payment is required only when the cost of land has to be paid on completion of the legal formalities attendant on the purchase. In other cases, funds are required for putting up buildings to house the factory, in which case, payment is made only when the cost is actually incurred. The borrowing company prefers to obtain finance in this manner in order to be able to save interest charges.

In some cases, industrial concerns, after having obtained sanction from the Corporation for the amount of the loan, review their schemes in an endeavour to cut down costs by obtaining supplies of machinery and equipment from other sources. For example, a number of concerns after obtaining the requisite sanction from the Corporation, have explored the possibility of placing their orders for machinery with countries other than those originally contemplated. Amongst the alternate sources of supply from which capital goods have been sought to be ordered is Japan, as machinery and equipment from that country is understood to be 10 to 15 per cent. cheaper than that from the U. K. or the U. S. A.

A further cause which is responsible for the discrepancy has been the fact that, in a number of cases, defects have been found in the title to the land of the industrial concern. In many cases, land was purchased by the Company, in order to be able to take advantage of war time conditions, without adequate scrutiny of the title to the land. For example, in some cases, where the Company had purchased land from a joint Hindu family, it was found that the interest of minor members had not been transferred to the Company. In other cases, it was found that the land was lease-hold, and before any charge could be created over the lease-hold rights of the borrowing company, the consent of the lessor was necessary, which in some cases, was not readily obtainable. It was also found that, in certain instances, the Managing Agents had purchased the land and the factory had been erected on the land without a transfer of the ownership of the land from the Managing Agents to the Company. As the Corporation advances funds for long-term periods it is necessary that defects in the title to the land should be rectified before mortgages are executed. Unless the title to the land is clear and is marketable, the mortgage in favour of the Corporation would not be effective. Nor would it be possible for the company to create a charge on the buildings erected on the land and machinery thereto, for the buildings and machinery form part of the immovable property and the title to them cannot be alienated from the title to the land. In this respect, the position of the Corporation is different from that of commercial banks, who generally advance money against movables such as stocks of raw materials, finished and semi-finished products, etc., where no question of investigation of title is involved. It is sometimes found that the company, for a part of the land occupied by it, is a tenant-on-surety of an associated concern, in which case no effective charge on the land can be created unless a proper lease for a sufficiently long period, with power to create a charge, has been executed. In some cases the land has been acquired for the company by the Provincial Government under the Land Acquisition Act, but no deed of conveyance has actually been executed by the Provincial Government in favour of the company, as the legal formalities relating to the acquisition of land under the above Act usually take time. It will be obvious that until the Provincial Government have given a conveyance in favour of the company, the company, itself, is not in a position to mortgage the land. In cases where difficulty is experienced with regard to the title to the land, interim assistance is sometimes given against a pledge or hypothecation of loose machinery or machinery stored in godowns to avoid hardship to the company, pending the completion of the mortgage.

*Information desired from industrial concerns.*—When considering applications, the Corporation generally requires information from the industrial concern with regard to various aspects of its application. It desires to know :

- (1) What the company has been producing or proposes to produce ?
- (2) What is the value of the security offered and what is the amount of the loan asked for ?
- (3) What margin will be left in favour of the Corporation ?
- (4) What are the purposes for which assistance is required by the Company. The industrial concern is required to state its requirements under the various heads, lands, buildings, plant, machinery etc.
- (5) Is the company going to be properly equipped ?
  - (a) Is the factory located in a suitable place ?
  - (b) Has the company enough land on which it is going to erect the factory ?
  - (c) Has the company such title to the land as will allow it to create a charge on the land and the buildings erected on the land ?
  - (d) Has the company made arrangements for a sufficient supply of electricity ?

- (e) Is the machinery purchased of the correct type and purchased from, and/or manufactured by a reputable firm, and whether it is suitable for the particular purpose ?
- (f) Has the company the requisite technical staff to be in a position to handle the machinery and to produce products of a particular standard, at a cost which can stand competition ?
- (g) Will there be a market for the company's products over a long period or are there other people already producing the same kind of things with better equipment ?
- (6) Whether the company has obtained the permission required for raising capital, importing machinery, getting electric power and setting up the factory ?
- (7) Whether the company has made specific mention of the several products to be turned out ?
- (8) Estimated cost of production on pre-war basis and on the basis of the rates prevailing of raw materials, power, wages, etc., on the date of application.
- (9) Whether the company has projected the balance sheet and profit and loss account for a number of years, showing what resources the company will have for repaying the loan and the profit it will make.

Generally full information relating to the application is not given. For example, in a large number of cases the precise nature of the product to be manufactured is not mentioned. For instance, the company say that they are going to put up a cotton mill, but the success of a particular company in a particular area will depend on the counts of cotton, etc., and the variety of cloth they will produce. Where full information is not given, correspondence has to be entered into to gather such information.

When the Corporation is in possession of all facts and information and reports on the project, it has very often to suggest modifications in the scheme of the company and the loan can be finally sanctioned only after the final shape of the scheme is settled. It will be of assistance to the Corporation if the companies applying for accommodation will make full disclosures and give complete information about their schemes and volunteer information that should be necessary for any businessman to consider a business proposition. Every company, when it contemplates expansion or putting up a new plant, will be scrutinising the proposal thoroughly and getting the requisite information on all relevant points. It should, therefore, not be difficult for the company to pass on such information to the Corporation, rather than wait for questions to be asked.

*Method of dealing with applications.*—Applications are judged by the following criteria :

- (1) National importance of the industry.
- (2) Experience and competence of the management.
- (3) Feasibility of the scheme.
- (4) The reputation enjoyed by the products of the company for quality.
- (5) The cost of the scheme as compared with the resources of the company.
- (6) Security offered and its proportion to the loan.
- (7) Whether the aid granted is likely to help the company to work efficiently and comfortably.
- (8) Whether the industry is one of those whose production exceeds the country's requirements.
- (9) Whether the concern has adequate technical personnel.
- (10) Whether adequate supplies of raw materials will be available over a period of years.

*Examination of the schemes put forward.*—The Corporation arranges for the inspection of the working of the factory to be carried out by its own officers. These are asked to report on the books and accounts of the concern, the valuation of its assets, the efficiency of the management, the availability of raw materials, the market for its products etc. In particular, they are asked to report on points such as the following:—

- (1) Whether the factory is working satisfactorily.
- (2) Whether it is likely to be handicapped by lack of water, access to a public road, etc.
- (3) Whether adequate arrangements have been made for power.
- (4) Whether the Company is keeping proper books of account.
- (5) Whether the value of the assets has been fraudulently written up.
- (6) Whether there are adverse circumstances such as liability to floods etc.

The Corporation also obtains the advice of the appropriate Ministry of Government with regard to the scheme put forward by the industrial concern. The Corporation has been receiving the co-operation of the Ministries of Government particularly the Ministry of Industry and Supply, and the Board would like to place on record their appreciation of the advice and assistance received from the various Ministries. The Corporation also refers, in appropriate cases, to the Council of Scientific and Industrial Research and their officers for technical advice with regard to the scheme received from industrial concerns. In some cases, arrangements are made for an investigation to be carried out by technical experts, both official and non-official, known for their knowledge of the industry, who are asked to report on the technical aspects of the scheme. The industrial concerns are given opportunities to send their own experts to discuss their schemes with the Corporation's Advisers and in the presence of the Managing Director.

*Scrutiny of the Financial aspects of the scheme.*—A scheme may be technically feasible, but the financial aspects of the project might not have received proper consideration. For this purpose, the requirements of the company in respect of

(a) Land, (b) Building, (c) Machinery and (d) Working Capital are thoroughly examined to make sure that with the aid given by the Corporation, the concern will be comfortable in the matter of finance.

Modification in respect of the above are often suggested to bring down the costs, so that the company should be able to get going with the capital collected by them and with the help given by the Industrial Finance Corporation of India.

*Underwriting commitments or commitments in regard to guarantees not undertaken for the time being.*—In view of the present situation in the money market and the stock exchanges, the Corporation does not consider it advisable to undertake underwriting commitments for the time being. The Corporation would be justified in underwriting an issue of shares or debentures only if it was reasonably satisfied that there was likely to be an adequate response from the public and the market.

For the reasons mentioned above, the Corporation does not consider it advisable to guarantee loans floated in the public market at present. The assistance granted by the Corporation is mainly in the form of loans or advances against a mortgage of tangible assets, although in one or two cases debentures are being taken as this course suits the circumstances of the borrowing companies.

*Rate of Interest.*—The effective rates of interest charged by the Corporation vary from 5 to 5½ per cent. These rates are lower than commercial rates and perhaps much lower than the rates charged at present by other lenders, who have been granting accommodation in smaller amounts on more easily realisable securities, like buildings. It must be remembered that if the companies were to sell debentures in the market, they would be paying underwriting commission or brokerage. In addition, they would

be required to pay remuneration to the trustees appointed under the Debenture Trust. These charges are saved to the companies borrowing from the Corporation.

The interest charged by the Corporation is payable every six months.

*Terms on which loans are sanctioned.*—The Corporation generally advances on a first mortgage of the fixed assets of the companies, like land, buildings, plant and machinery. The Corporation primarily grants accommodation for the acquisition of fixed assets. The Corporation, as a rule, does not grant advances against hypothecation of stocks of raw materials, and finished goods for working capital. It is the province of the commercial banks to grant advances against raw materials and finished goods, and the Corporation does not want to compete with commercial banks in the provision of working capital.

*Terms on which the loan is sanctioned.*—In order to ensure that the industrial concerns which have been granted assistance by the Corporation are properly managed, the Corporation requires that the loans should be guaranteed by the Directors or partners of the Managing Agency firm in their personal capacity, the guarantee being joint and several. The Corporation also reserves to itself the right to appoint two Directors in order to be able to see that the affairs of the Company are managed on prudent lines and to protect the interests of the Corporation.

*Dividend limitation.*—With a view to preventing the profits made in good years being dissipated in dividends, the Corporation stipulates that, during the currency of the loan, the dividend would be restricted to a maximum of 6 per cent. per annum on the paid-up capital, but the figure may be varied with the consent of both the parties.

The period during which the loan is to be repaid is fixed according to the prospects of the particular company and the nature of its business. Ordinarily, this does not exceed 12 years, and the maximum period so far allowed is 15 years. Most industrial concerns anticipate being able to repay their loans during this period and, if possible, earlier.

The borrowing companies are required to repay the amount in instalments. As the advances have so far been granted only to new companies or companies which have been contemplating schemes of expansion, the first instalment is usually payable at the end of the second or third year. In some cases, the amount is payable in equal annual instalments, while in others a graduated scale is preferred.

*Insurance.*—The properties mortgaged to the Corporation are usually required to be insured for their full value against fire, riot and civil commotion risks with insurance companies of repute.

*Articles of Association of the Company and Managing Agency Agreements.*—The Articles of Association, in some cases, contain restrictions on the borrowing powers of the company, as for example, a restriction that the total borrowings of the company may not exceed the subscribed or paid up capital. Where the amount applied for from the Corporation would result in this limit being exceeded, it is necessary to call upon the company to amend its Articles of Association. In some cases, it is observed that the Managing Agency Agreement contains provisions which are likely to adversely affect the security of the Corporation. For example, it is sometimes provided in the Managing Agency Agreement that, in the event of the Managing Agents losing their employment through any cause other than transfer of the ownership of the company to another concern, the Managing Agents would be entitled to compensation equivalent to a specified number of years' remuneration. As Section 28 of the I. F. C. Act empowers the Corporation to take over the Management of an industrial concern in the event of the borrowing company failing to carry out the terms of its agreement with the Corporation, we usually stipulate that the above-mentioned clause in the Managing Agency Agreement would remain inoperative during the period of the loan.

*Periodical inspections after the loan has been sanctioned.*—After the amount of the loan has been paid by the Corporation, the Corporation usually takes steps to see that the amount is utilised for the purpose for which it is intended. The steps usually take the form of periodical inspections which also enable us to see the extent to which the schedules of construction or expansion of production are being adhered to by the company. These inspections enable us to keep a watch on the progress of the company, and, at a later stage, the Corporation expects to be able to enquire and see how far the companies have succeeded in reducing costs and improving the quality of their products.

*Resources of the Corporation.*—At the close of business on the 30th June 1949, the total amount of the loans sanctioned by the Corporation was Rs. three crores, forty-two lakhs and twenty-five thousand (Rs. 3,42,25,000). These are well within the resources of the Corporation which are made up of the present paid-up capital of the Corporation, namely, Rs. five crores. Under Section 21 of the I.F.C. Act, the Corporation is authorised to issue bonds to the extent of five times the amount of its paid-up capital and reserves. As the authorised share capital of the Corporation is Rs. 10 crores, on the assumption that a reserve of a like amount is built up, the potential borrowing capacity of the Corporation is Rs. 100 crores.

With a view to augmenting its resources the Corporation is arranging to place its bonds on the market, and has succeeded in making arrangements, by private negotiations, for the sale of an adequate amount of bonds to keep the Corporation comfortable for the next six to twelve months.

Under Section 22 of the I.F.C. Act, the Corporation can also accept deposits from the public repayable after the expiry of a period not less than five years. The amount of the deposits is, however, restricted to Rs. 10 crores. The Corporation may shortly commence accepting deposits, but it is not expected in view of the restrictions placed on the period of maturity of such deposits, that any large sums will be available to the Corporation in this manner.

*Observations as a result of contacts made with industries.*—The Corporation has now had time to come into contact with a number of industrial concerns throughout the country covering a variety of industries. The impression gained from these contacts was

- (1) factories have been built in some cases in a haphazard manner without regard to the suitability of the site from the point of view of the area available or location.
- (2) technical assistance was, in many cases, inadequate and generally not of a high order.
- (3) knowledge of the technique of efficient production was very often lacking.
- (4) lack of proper book-keeping was noticed in a number of cases. Generally, very little attempt was made at cost accounting.

While it might have been possible during the war period for industrial concerns to sell their output without paying great attention to the quality of their products, at the present time it is important that our industries should endeavour to raise the quality of the goods manufactured by them, particularly in view of the emergence of the buyers' market, both internally and abroad. For this purpose, it is essential that arrangements for technical supervision should be adequate. It is our intention, at a later stage, to engage engineers and other technicians who would assist the Corporation in the examination of the schemes received by it and also be able to assist the borrowing companies with advice in regard to the technical aspects of their operations.

*Proposals for setting up of Provincial Corporations.*—A number of Provincial Governments are contemplating setting up Industrial Credit Corporations in their provinces, with objects similar to those of the Corporation established by the Centre. This matter has engaged the attention of the Board, and it has been suggested to the

Government of India that the Provincial Corporations should restrict their operations to the smaller, medium and cottage industries, in order to avoid overlapping between the spheres of operations of the Provincial institutions and the Corporation at the Centre. We have also suggested to the Central Government that there should be close co-operation between the Industrial Finance Corporation of India and the Provincial institutions in order that uniform policies may be pursued in regard to the finance of industry. At the present time, it may be difficult for the Provincial Governments to raise the requisite resources from the market and it is all the more desirable that there should be such co-operation in order that the resources raised may be utilised to the best advantage.

*General.*—The field of industrial finance in India is relatively new, and previous experiments in this field have not been encouraging as witnessed by the experience of the Tata Industrial Bank. Similarly the experience of the assistance given under the State Aid to Industries Acts has not been conducive to confidence and the Central Banking Enquiry Committee in their report recorded the fact that in two provinces a substantial part of the advances proved irrecoverable. Even in other countries, as for example in the U. K., the experiment of setting up special Corporations for the provision of finance to meet the medium and long-term requirements of industries is of recent origin and there are few precedents that can be drawn upon. Although the experiment of mixed banking was tried on the Continent, particularly in Germany, during the nineteen twenties, the experiment did not prove a success and the banks that had undertaken such banking came to grief during the depression in the early 1930s. During that period the experience of the banks which had undertaken such business proved so unfortunate that laws were enacted in certain countries, as for example in Belgium and the U. S. A., prohibiting banks from undertaking medium and long-term finance. The Corporation has, therefore, had to feel its way with its operations. In considering applications, we have been guided not so much by the value of the assets mortgaged to us as by the profit-earning capacity and prospects of the concern and the technical soundness of the scheme. We have also been guided by the criterion whether the industrial concern is likely to make a contribution in maintaining the economic life of the community. There have been suggestions that the Corporation should maintain a priority list. While no priority list has so far been maintained, this object is indirectly achieved by the references made to the Ministry of Industry and Supply or other appropriate Ministry of Government in regard to the policy of Government towards the particular industry. This procedure ensures that only those concerns are assisted which have been generally approved by Government and which are likely to prove of value to the country.

By order of the Board,

RAM NATH,

Managing Director.

#### STATEMENT 'A'.

Classification—Province-wise

Serial No.	Name of Province	Number of Applications Sanctioned	Amount Sanctioned
			Rs.
1	Assam .. .. ..	..	..
2	Bombay .. .. ..	6	73,00,000
3	Bihar .. .. ..	3	55,50,000
4	C. P. & Berar .. .. ..	..	..
5	Delhi, Ajmer & Meigar and other Centrally Administered areas .. .. ..	..	..
6	East Punjab .. .. ..	2	15,00,000
7	Madras .. .. ..	3	75,00,000
8	Orissa .. .. ..	1	40,00,000
9	U. P. .. .. ..	3	8,25,000
10	West Bengal .. .. ..	3	75,50,000
	Total .. ..	21	3,42,25,000

INDUSTRIAL FINANCE CORPORATION OF INDIA  
COUNCIL HOUSE, NEW DELHI  
Balance Sheet as at 30th June 1949

CAPITAL & LIABILITIES		Rs. A. P.	Rs.	A. P.
1. Capital— Authorised ..	..		10,00,00,000	0 0
Issued and Paid-up ..	..		5,00,00,000	0 0
2. Reserve Fund ..	..		2,00,000	0 0
3. Provision for Taxation ..	..			
4. Bonds and Debentures ..	..			
5. Fixed Deposits ..	..			
6. Contingent liabilities under guarantees and underwriting agreements <i>per contra</i> ..	..		15,972	8 0
7. Other liabilities ..	..		85,507	13 8
8. Profit and Loss account (Cred t) ..	..			
<b>TOTAL</b> ..	..		<b>5,03,01,480</b>	<b>5 8</b>

## PROPERTY AND ASSETS

	Rs. A. P.	Rs.	A. P.	
1. Cash in hand and with Bankers ..		33,75,512	3 11	
2. Investments— Government Securities ..	..	3,31,73,582	11 11	
3. Loans and Advances ..		1,32,99,215	6 3	
4. Debentures ..	..			
5. Guarantees and underwriting agreements <i>per contra</i> ..	..			
6. Other assets ..	..		4,53,169	15 7
<b>TOTAL</b> ..	..		<b>5,03,01,480</b>	<b>5 8</b>

PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 30th JUNE 1949

	Rs. A. P.	Rs.	A. P.
Establishment ..	1,87,686	15	8
Directors' fees and expenses ..	15,227	11	0
Auditors' fees ..	3,000	0	0
Rent, Taxes, Insurance, Lighting, etc. ..	18,211	2	3
Law Charges ..	1,310	5	0
Postage, Telegraph and Telephone charges ..	4,344	0	0
Stationery, Printing, etc. ..	8,280	6	5
Depreciation and repairs to Corporation's property ..	2,396	10	0
Contribution to Staff and Superannuation Funds ..			
Miscellaneous Expenses ..	46,023	13	9
<b>Provision for Taxation</b> ..		2,87,000	0 5
<b>Net profit carried to Balance Sheet</b>		2,00,000	0 0
<b>TOTAL</b> ..		<b>85,507</b>	<b>13 8</b>
	Rs. A. P.	Rs.	A. P.
Interest, Discount, Commission, etc. after making the usual and necessary provisions ..		5,72,597	14 1
<b>TOTAL</b> ..		<b>5,72,597</b>	<b>14 1</b>

V. R. SONALKER,  
Deputy Managing Director.

R. NATH,  
Managing Director.

REPORT OF THE AUDITORS  
To THE SHAREHOLDERS

## OF THE INDUSTRIAL FINANCE CORPORATION OF INDIA.

We, the undersigned Auditors of the Industrial Finance Corporation of India, do hereby report to the Shareholders upon the Balance Sheet and Accounts of the Corporation as at 30th June, 1949.

We have examined the above Balance Sheet with the Accounts and Vouchers relating thereto and the certified returns from the Branches, which returns are incorporated in the above Balance Sheet, and report that where we have called for explanations and information, such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing all necessary particulars and properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Corporation.

S. B. BILLIMORIA & Co.  
S. VAIDYANATH AIYAR & Co.  
Chartered Accountants,  
Auditors.

Dated, the 21st July, 1949.

## NOTIFICATION

New Delhi, the 4th August 1949

No. 849.—In pursuance of Regulation 34 of the General Regulations of the Corporation, it is hereby notified for the information of shareholders that the following valid nominations have been made for the election of Directors under Section 10(d) of the Industrial Finance Corporation Act, 1948 :—

- (i) Pandit K. Santanam, Lakshmi Insurance Co., Ltd., Delhi.
- (ii) Mr. L. S. Vaidyanathan, Oriental Government Security Life Assurance Co., Ltd., Bombay.

As the number of valid nominations is equal to the number of vacancies, the above gentlemen are deemed to be elected at the meeting convened for the purpose, in accordance with Regulation 34 of the General Regulations.

2. It is further notified that the following valid nominations have been made for election to the Board of Directors of the Corporation under clauses (c) and (e) of Section 10 of the Industrial Finance Corporation Act, 1948:—  
*Nominations for election under clause (c) of Section 10 of the above Act.*

- (i) Mr. H. C. Captain, J. P., Managing Director, The Central Bank of India Ltd., Bombay.
- (ii) Mr. J. C. Das, Chairman, Bengal Central Bank Ltd., Calcutta.
- (iii) Sir Birendra Nath Mookerjee, C/o M/s. Martin Burn Ltd., 12, Mission Row, Calcutta.
- (iv) Mr. B. T. Thakur, United Commercial Bank Ltd., Calcutta.

*Nominations for election under clause (e) of Section 10 of the above Act.*

- (i) Mr. R. G. Saraiya, Bombay Provincial Co-operative Bank Ltd., Bombay.
- (ii) Mr. V. P. Varde, Bombay Provincial Co-operative Bank Ltd., Bombay.
- (iii) Mr. B. Venkata Ratnam, President, Madras Co-operative Central Land Mortgage Bank Ltd., Madras.

RAM NATH,  
Managing Director.

## LOST

The Government Promissory Note No. DH004533 of the 3 per cent. loan of 1949-52 for Rs. 5,000 originally standing in the name of Imperial Bank of India and last endorsed to the Central Bank of India, Ltd., the proprietors by whom it was never endorsed to any other person, having been lost, notice is hereby given that payment of the above note and the interest thereupon has been stopped at the Public Debt Office, Reserve Bank of India, Delhi and that application is about to be made for the issue of duplicate in favour of the proprietors. The public are cautioned against purchasing or otherwise dealing with the above mentioned security.

## Signature of the Advertiser.—

For the Central Bank of India Ltd.,  
Lucknow.

Dated 6th June 1949.

## LOST

The Government Promissory Note No. 089162 of 5 per cent. loan of 1945-55 for Rs. 200/- originally standing in the name of The Accountant General, Posts & Telegraphs and last endorsed to Anil Chandra Dey, the proprietor by whom it was never endorsed to any other person, having been lost, notice is hereby given that payment of the above note and the interest due thereupon have been stopped at the Public Debt Office, Reserve Bank of India, Calcutta, and that application is about to be made for payment of the discharge value thereof to the proprietor. The public are cautioned against purchasing or otherwise dealing with the above mentioned security.

Signature of the Advertiser.—Anil Chandra Dey.

Residence.—41/25, Charu Avenue, Tollygunj, Calcutta.

**LOST**

The Government Promissory Note No. MS088962 of the three per cent. loan of 1953-55 for Rs. 1,000 originally standing in the name of Reserve Bank of India and last endorsed to Kalyanaswami Naidu, the proprietor, by whom it was never endorsed to any other person having been lost, notice is hereby given that payment of the above note and the interest thereupon have been stopped at the Public Debt Office, Reserve Bank of India, Madras and that application is about to be made for the issue of duplicate in favour of the proprietor. The public are cautioned against purchasing or otherwise dealing with the abovementioned security.

KALYANA SWAMY NAIDU.

**LOST**

The Government Promissory Note No. DII013266 of the 3 per cent loan of 1949-52 for Rs. 1,000 originally standing in the name of Imperial Bank of India and last endorsed to M/s Des Raj and Sons, the proprietors, by whom it was never endorsed to any other person having been lost, notice is hereby given that payment of the above note and interest thereupon has been stopped at the Public Debt Office, Reserve Bank of India, Delhi, and that application is about to be made for the issue of duplicate in favour of the Proprietors. The public are cautioned against purchasing or otherwise dealing with the above mentioned securities.

*Name of the Advertiser.*—For Des Raj and Sons.

(Sd.) Des Raj,

Karta.

*Residence.*—Railway Road, Ambala Cantt.

**LOST.**

Notice is hereby given that Share Certificates Nos. D29043, D29204 for 10 shares Nos. 337256/60, 327031/5 in the Reserve Bank of India issued in the name of Mr. Ramlal Kumar (deceased) have been lost, stolen, or mislaid and that a claim to the compensation payable by the Government of India on these shares has been lodged with the Reserve Bank of India by the undersigned. It is hereby informed that no other person shall have any claim to the said compensation.

BHAGWAN DEVI,

*Claimant,*

*Succession Certificate holder to the Estate of Mr. Ramlal Kumar (deceased)*

**LOST**

The Government promissory Notes Nos. BY 023792 BY 023793 of the three per cent. loan of 1953-55 for Rs. 500 and Rs. 1,000 respectively, originally standing in the name of Imperial Bank of India and last endorsed to Jamnadas Indarchand, the proprietor, by whom they were blank endorsed, having been lost, notice is hereby given that the payment of the above Notes and the interest thereupon has been stopped at the Public Debt Office, Reserve Bank of India, Bombay and that application is about to be made for the issue of Duplicates in favour of the proprietor. The public are cautioned against purchasing or otherwise dealing with the above mentioned securities.

*Name of the advertiser.*—JAMNADAS INDARCHAND MARWADI.

*Residence.*—Kurum, Taluq Murtizapur, Dist. Akola (Berar).

**LOST, STOLEN OR MISPLACED**

Notice is hereby given that Share Certificates Nos. D-12022, D-23577, D-38990, D-27999 for 20 shares Nos. 345106-10, 345111-15, 393711-15 and 345451-55 in Reserve Bank of India issued in the name of Dr. Nur Mohammad have been lost, stolen, or mislaid and that a claim to the compensation payable by the Government of India on these shares has been lodged with the Reserve Bank of

India by the undersigned. It is hereby informed that no other person shall have any claim to the said compensation.

MANZUR AHMED.

MANSUR AHMED.

**DESTROYED**

G.P. Notes No. BY052251 for Rs. 500, BY052265 and BY052271 for Rs. 1,000 each pertaining to the 3½ per cent. Loan of 1900-01 originally standing in the name of Chartered Bank of India, Australia and China and last endorsed to Haridas Velji the proprietor, by whom they were never endorsed to any other person, having been destroyed, notice is hereby given that the payment of the above notes and the interest thereupon has been stopped at the Public Debt Office, Reserve Bank of India, Bombay and that application is about to be made for payment of the discharge value to the proprietor. The public are cautioned against purchasing or otherwise dealing with the above mentioned securities.

*Name of the Advertiser.*—Haridas Velji.

*Residence.*—168, Bhanushali Chambers, Argyle Road, Bombay 9.

**DESTROYED**

The five lower halves of the Government Promissory Notes mentioned below originally standing in the names as shown hereunder and last endorsed to The Central Bank of India Limited, the proprietors by whom they were never endorsed to any other person having been lost, notice is hereby given that the payment of the undermentioned notes and the interest thereupon has been stopped at the Public Debt Office, Reserve Bank of India, Bombay and that application is about to be made for the issue of duplicates in favour of the proprietors. The Public are cautioned against purchasing or otherwise dealing with the undermentioned securities.

G.P. Note No.	Loan	Amount Rs.	Originally standing in the name of
BY 029256	3% 1963-65	5,000	Reserve Bank of India.
BY 029325	3% 1963-65	5,000	Reserve Bank of India.
BY 038518	3% 1963-65	5,000	The Surat Dist. Co-op Bank Ltd.
BY 040124	3% 1963-65	5,000	Rustomji Nadirshaw Shiroff
BY 048537	3½% 1963-65	5,000	The Bank of India Limited.

*Name of the Advertiser.*—The Central Bank of India Ltd.

*Residence.*—Mahatma Gandhi Road, Fort, Bombay.

**IN THE COURT OF MUNSIF, RANCHI (BIHAR)****Money Suit No. 117 of 1948**

Laxmi Cycle Stores, Ranchi—Plaintiff.

*Versus*

Bhartiya Manufacturing Co., New Delhi—Defendant To

Bhartiya Manufacturing Co., Sadar, New Delhi.

Whereas plaintiff has filed above suit for recovery of Rs. 178/10/- as damages for breach of contract. You are hereby requested to appear personally or through agent on the 12th August 1949 failing which the suit will be heard *ex parte*.

Given under my hand and seal of this court, this the 13th day of July 1949.

MADAN MOHAN SAIJAY,  
*Munsif, Ranchi.*

**NOTICE**

“The members of the Kohli Sahni Limited in their meeting held on 20th July, 1949 at 4 p.m. passed a special resolution and the creditors of the said company passed a resolution on the same date at 5 p.m. winding up the company known as Kohli Sahni Limited voluntarily. Mr. Ram Narain, Advocate, Delhi was appointed Voluntary Liquidator, Secretary.”